



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Representative Howard
Analyst(s): Mark White
RE: PCS for H130, Allow Game Nights

SUMMARY TABLE

FISCAL IMPACT OF PCS for H130, V.1					
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue	58,300.0	58,300.0	58,300.0	58,300.0	58,300.0
<u>Less Expenditures</u>	<u>56,909.0</u>	<u>54,709.0</u>	<u>54,709.0</u>	<u>54,709.0</u>	<u>54,709.0</u>
General Fund Impact	1,391.0	3,591.0	3,591.0	3,591.0	3,591.0
NET STATE IMPACT	\$1,391.0	\$3,591.0	\$3,591.0	\$3,591.0	\$3,591.0
STATE POSITIONS	1.00	1.00	1.00	1.00	1.00

FISCAL IMPACT SUMMARY

This bill may increase the workload for the Alcohol Law Enforcement Branch (ALE). Based on ALE's estimates, the fees included in the bill could result in just under \$60,000 in increased receipts for ALE. \$3,500 of these receipts will be required for equipment purchases and \$1,300 annually for maintenance of that equipment. The remainder of these receipts could be used to offset the administrative costs of implementation, including the addition of a receipt-supported civilian administrative position.

FISCAL ANALYSIS

The PCS allows certain organizations to host "game night" fundraising events. These are events at which participants play games of chance (specifically, roulette, blackjack, poker, craps, simulated horse races, and merchandise wheels of fortune), with prizes awarded by raffle. Tax-exempt non-profit organizations that have been in existence in their county of operation for at least five years and employers with more than 25 employees or trade associations with more than 25 members



may host game nights under certain conditions, most notably that the event must be held at a qualified facility. "Qualified facilities" are defined as those with on-premises malt beverage, fortified wine, non-fortified wine, or mixed-beverage permits. Organizations hosting game nights may contract with permitted game night vendors. The bill also allows the possession and transportation of game tables and other equipment. The PCS contains additional regulations on game night events, their sponsors and benefactors, game night vendors, and other related parties. The PCS also contains criminal penalties, which are not addressed in this memo but which would be addressed in a future incarceration note if this PCS were to be adopted.

Under the PCS, organizations hosting game nights must acquire a permit from ALE headquarters at least 30 days prior to the event and pay a fee of \$100 for each event. Game night vendors must register with ALE annually and pay a fee of \$2,500 for their operating permit. In addition, gaming tables or other equipment must be registered with ALE and have a sticker affixed with a unique number. These stickers carry a fee of \$25 per sticker, payable to ALE.

While ALE cannot predict with certainty how many game night vendors or events may actually occur in a given year, they have provided Fiscal Research with a best-guess conservative estimate for these events. ALE anticipates approximately 10 game night vendors, with approximately 50 games per vendor, and an average of 4 games per week statewide. If ALE's estimates are correct, the Branch will collect \$25,000 in vendor permit fees (\$2,500 x 10 vendors), \$12,500 in gaming equipment fees (50 games x 10 vendors x \$25 per game), and \$20,800 in event fees (4 games x 52 weeks x \$100). This would result in an increase in ALE receipts of \$58,300 annually. This does not account for gaming equipment owned by non-game-vendor entities; however, Fiscal Research has no way of anticipating how many entities will choose to purchase and register such equipment.

In response to Fiscal Research's inquiries, ALE has requested the following funding to implement this PCS:

- \$53,409 recurring for an Administrative Specialist to process permits;
- \$193,862 recurring, \$118,264 nonrecurring for two ALE field agents
- \$3,000 nonrecurring, \$1,000 recurring for buying and maintaining a barcode system for equipment stickers
- \$500 nonrecurring, \$300 recurring for buying and maintaining a printer for the licenses

However, Fiscal Research believes that the expenses associated with this PCS will mostly be covered by existing funds.

First, the equipment costs listed by ALE will be covered by the fees generated in the PCS. These expenses are reflected in the table at the front of this memo. The receipts will also generate enough revenue for a receipt-supported Administrative Specialist, as ALE requests.

Second, because the PCS requires that all game nights be held at "qualified facilities," that is, facilities with permits for on-premises alcohol service, every hypothetical game night event is already under ALE jurisdiction regardless of the games of chance newly allowed by this PCS. It is true that inspecting the gaming equipment and any follow-up investigations will take additional time. But because ALE agents will need to inspect these events anyway, gaming inspections will



not require additional travel and will only require a short amount of additional time beyond existing ALE duties.

With an estimate of 208 games per year and 89 current field agents in ALE, this represents an average increase of 2 inspections per agent annually. However, game night vendor equipment must only be inspected quarterly, meaning that while ALE agents *may* inspect any game night event, they will only be *required* to do so approximately 40 times per year (10 vendors x 4 inspections). This represents an average increase in 0.44 inspections per agent annually. If ALE's estimates are correct, it is unlikely that these new inspections will present an exceptional burden to ALE.

Fiscal Research is unable to predict how many criminal investigations may result from these inspections, nor can we estimate how long such an investigation may take. However, given the relatively small number of events, it is unlikely that these investigations will take up enough time to justify additional positions.

The fees generated by this PCS will cover the specialized equipment and administrative support requested by ALE for implementation. The increased workload is unlikely to result in a need for additional field agents.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Department of Public Safety – Alcohol Law Enforcement Branch

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

